

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6097**

**BILL NUMBER:** HB 1624

**NOTE PREPARED:** Dec 26, 2006

**BILL AMENDED:**

**SUBJECT:** Payments in Lieu of Taxes.

**FIRST AUTHOR:** Rep. Oxley

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill establishes a payment in lieu of property taxes (PILOT) payable by the Department of Natural Resources (DNR) on land owned by the DNR based on the amount of property taxes that would apply if the land were not exempt. It establishes the PILOT Transfer Fund and makes appropriations.

**Effective Date:** Upon passage; January 1, 2007 (retroactive).

**Explanation of State Expenditures:** *Summary*--The DNR manages approximately 400,000 acres. (State universities own approximately 23,166 acres.) Because the DNR would not qualify for the \$1 an acre wildland assessment, the land would likely be assessed similar to agricultural land. The assessed value (AV) would be based, among other factors, on how tillable the soil is. Assuming that the land averages \$880 per acre, or the average AV for farm land, the PILOT equals the number of acres multiplied by \$880 multiplied by the net tax rate in the district where the land is located. Applying the statewide average net tax rate of \$2.1506 per \$100 for Pay'07, the PILOT would equal an estimated \$7.6 M  $((400,000 * \$880)/100) * \$2.1506$ . The actual state expenditure will depend on the actual tax rates in the taxing districts where the DNR land is located. This bill appropriates from the state General Fund to the PILOT Transfer Fund the amount necessary to make the distributions. The first PILOT is due May 1, 2008.

State expenditures for property tax replacement would decrease if PILOT revenue was used to reduce property tax levies.

*Background:* A county is entitled to a PILOT from the DNR for land within the county that is owned or leased by the DNR on March 1 of the previous year and is exempt from the payment of property taxes. On

May 1 and November 1 of each year, the DNR must make a PILOT to each county that is entitled to receive a PILOT. The PILOT equals the product of the AV of the land as determined by the township assessor multiplied by the number of acres subject to the PILOT, multiplied by the net property tax rate (after application of the property tax replacement credit) in the taxing district in which the land is located.

Not later than September 1 of each year, the Auditor of State must provide the township assessor of each township in which DNR land is located with a report of the number of DNR acres and any other information required by the Department of Local Government Finance (DLGF). The State Auditor must provide the report in a format prescribed by the DLGF. A PILOT bears interest if unpaid.

The DLGF may adopt standards for the reporting of information that is necessary to assist townships, counties, and conservancy districts. In cooperation with the State Auditor, the DLGF must, not later than August 1, 2007, prescribe a form for the State Auditor to report the information needed.

*PILOT Transfer Fund.* The bill establishes the PILOT Transfer Fund to provide money for the distributions for PILOTS made by the DNR. The State Auditor must administer the fund. Expenses of administering the fund must be paid from money in the fund. Money in the fund at the end of a state fiscal year does not revert to the state General Fund.

The DLGF, the DNR, and the Auditor of State will experience additional administrative expenses associated with the proposal. The DLGF is required to prescribe the format on which the Auditor of State will convey information regarding the state-owned land to township assessors. The DNR is to make semi-annual payments to counties and conservancy districts. The specific impact of these provisions is indeterminable.

**Explanation of State Revenues:** The State Treasurer must invest money in the PILOT Transfer Fund not needed to meet the obligations of the fund in the same manner as other public money may be invested.

**Explanation of Local Expenditures:** A PILOT is distributed to a political subdivision within a county in the same manner as ad valorem property taxes. The proposal might result in a small increase in administrative expenses on the local level.

**Explanation of Local Revenues:** Beginning in CY 2008, political subdivisions within the counties that contain certain DNR-owned or -leased property would receive PILOTs from the state. PILOTs are estimated at around \$7.6 M per year. This money could result in a reduction in local property tax rates.

**State Agencies Affected:** DNR, Auditor of State, Treasurer of State, and the DLGF.

**Local Agencies Affected:** Political subdivisions in counties that contain certain land owned or leased by the DNR.

**Information Sources:** State Land Office (232-3335); Local Government Database; and the DNR (233-6904).

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